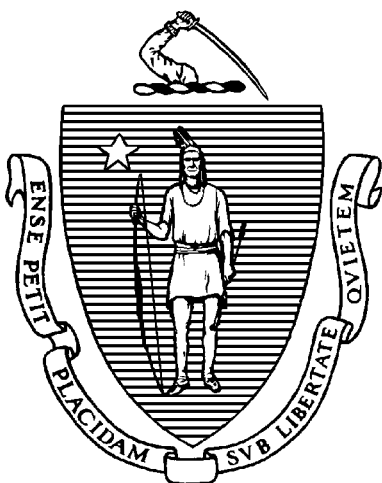


DESK REVIEW GUIDE



**Commonwealth of Massachusetts
Executive Office for Administration and Finance
Operational Services Division
Division of Purchased Services
Bureau of Audit**

**Commonwealth of Massachusetts
Operational Services Division
Bureau of Audit
Desk Review Document Summary**

Contractor: _____

FEIN #: _____

Standards/Requirements	Desk Review Reference	Acceptable	Minimum Filing Deficiency	Significantly Inadequate/Substandard	N/A
Contractor/Auditor Debarment Determination	Audit procedures				
Cover Page Information	I A-C				
Auditor's Qualifications and Independence	II A-D				
Reviewed Financial Statements	II				
Report on Basic GAAP Financial Statements	III A-D				
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Audit Follow-Up/Auditee Response	VI G-H				
Management Letter	VI I				
Board Acknowledgment Letter	VI J				
Audit Services Checklist	VI K				

Conclusions:

- Based on my desk review, this UFR or approved alternate report is:
 - ☐ Acceptable, as filed and requires no corrections.
 - ☐ Minimum Filing Deficiency(ies) and requires one or more changes to meet minimum reporting requirements.
 - ☐ Significantly Inadequate/Substandard for meeting UFR and/or OMB A-133 reporting standards.
- Contractor and/or Independent Auditor notified on ____/____/____
 - ☐ in writing (see deficiency email)
 - ☐ by telephone (see memo field)
- This UFR or approved alternate report should/should not (circle one) be considered for Quality Control Review (QCR). Describe reasons for your recommendation:

DPS Auditor _____ Date _____

Supervisor _____ Date _____

TO BE COMPLETED AFTER RESUBMISSION(S) HAS BEEN REVIEWED AND ACCEPTED

DPS Auditor _____

Date _____

**Operational Services Division
Bureau of Audit
Desk Review Guide
Introduction**

Purpose: The objective of the desk review conducted by the Operational Services Division (OSD) of the Uniform Financial Statements and Independent Auditor's Reports (UFR) or alternate report is to assure that the auditor's report, financial statements, schedules and other supplemental information filed meet applicable accounting principles and auditing standards in accordance with the regulations and instructions promulgated by OSD. The purpose of this guide is to (1) assure that the scope of the desk reviews is sufficient to fulfill the Division's legislative mandate in accordance with Chapter 110, section 274 of the Acts of 1993 which requires the Division (Bureau of Audit) to develop and administer a uniform system of financial accounting, reporting, allocation and auditing of Contractors which conform to generally accepted government auditing standards (GAGAS); (2) ensure consistency among reviewers and (3) to document the review process.

In addition, desk reviews conducted in accordance with this guide are designed to discharge the Commonwealth's responsibilities as recipient of federal financial assistance to ensure subrecipient's and auditor's compliance with the provision of OMB Circular A-133, Audits of Higher Education and Other Nonprofit Institutions.

Applicability: This guide is intended to be used by the Commonwealth of Massachusetts, Operational Services Division, Bureau of Audit personnel in the position category(s) of Auditor II or above who have been trained to conduct desk reviews of UFRs or alternate reports and organizational (entity) wide audits conducted in accordance with the revised OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations".

Description: The desk review guide is designed to identify and document the review of applicable accounting principles and auditing standards that must be observed for the preparation and audit of the UFR and financial statements audited in accordance with OMB A-133. The guide is generally organized by appropriate accounting principles and auditing standards and elements applicable to an audit conducted in accordance with the provisions, standards and instructions for UFR and OMB A-133 audits.

The review items in this guide have been designed to indicate "yes" or "N/A" (not applicable) answers as favorable responses. All unfavorable responses must be fully explained. It should be noted that unfavorable answers identify situations that could be undesirable, but do not necessarily imply that the report is unacceptable. When deficiencies are noted, the guide should cross reference to the specific review item. Where appropriate, a brief description of the deficiency must be included in the comment section at the bottom of the appropriate page.

The reviewer must exercise professional judgment when reviewing items and reach specific and overall conclusions on the quality and adequacy of the filing. All items should be reviewed and initialized by the reviewer.

Conclusions: The guide directs reviewers to reach conclusions regarding compliance with applicable accounting principles and auditing standards and the identification of deficiencies or other items noted during the desk review. Conclusions must be expressed in terms which adhere to GAGAS and President's Council on Integrity and Efficiency (PCIE) requirements for reporting on the quality of non-federal audits.

Operational Services Division
Desk Review Guide
References

References: References are provided to enable the reviewer to refer to relevant requirements and standards. The reviewer should be familiar with the requirements and standards and have them available when performing a desk review. Below are the abbreviations used to reference the applicable requirements and standards:

AAG-NPO	American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide, Not-For-Profit Organizations (May 1, 2000)
APHCO	AICPA Industry Audit Guide, Audits of Providers of Health Care Organizations
ARB	Accounting Research Bulletin(s) promulgated by the AICPA
AU	U.S. Auditing Standards, promulgated by the AICPA
AVHW	AICPA Industry Audit Guide, Audits of Voluntary Health and Welfare Organizations (<i>superseded by AAG-NPO effective 12/31/96</i>)
CMR	Code of Massachusetts Regulations
FASB (#)	Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards, promulgated by the AICPA
FY '2002 UFR	UFR Audit and Preparation Manual for Fiscal Year 2002, published by the Operational Services Division
GAGAS	Generally Accepted Government Auditing Standards (commonly referred to as "The Yellow Book")as amended, published by the United States General Accounting Office (GAO)
OMB A-133	Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher Learning and Other Non-Profit Institutions (<i>Revised 6/30/97</i>)
PCIE #6	President's Council on Integrity and Efficiency (PCIE) No. 6
SAS (#)	Statement on Auditing Standards, promulgated by the AICPA
SAS 74	AICPA Statement on Auditing Standards No. 74, Compliance Auditing Considerations in Audits of Government Entities and Recipients of Governmental Financial Assistance
SOP 98-3	Statement of Position, Audits of States, Local Governments and Not-for-Profit Organizations Receiving Federal Awards issued March 17, 1998 by the AICPA
SSARS	Statement on Standards for Accounting and Review Services, promulgated by the AICPA

Acceptable : Filing meets the minimum filing requirements of the Division and are considered received and available to Purchasing Agencies of the Commonwealth and for release to the general public.

Minimum Filing Deficiency: The filing does not meet the minimum filing requirements of the Division and the provisions of OMB Circular A-133 (if applicable). Filings in this category require the correction of the deficiency(ies) by the Contractor and/or independent auditor and resubmission of one or more schedules or reports. Examples of types of deficiencies in this category include the failure to meet the items noted in the UFR Preparation and Audit Check List in the FY '2002 UFR Manual . Appropriate methods for correction are determined using the refiling and piecemeal resubmission provisions found on page 11 of the UFR Audit and Preparation Manual. Contractors are notified of minimum filing deficiencies via email, fax or letter in accordance with the guidance furnished in the OSD Bureau of Audit, Operational Procedures Guidelines. Telephone notification of minimum filing deficiencies may be utilized when a small number of deficiencies are noted and they are clear cut and easily explained via telephone. All telephone notification must be documented in the UFR memo field.

Significantly Inadequate or Substandard: Filings contained deficiencies that make the report unusable as received for fulfilling one or more objectives of financial statements and audits conducted in accordance with GAGAS. Filings in this category have significantly failed to comply with applicable accounting principles and auditing standards. These filings are not considered received by the Division until the filing has been corrected by the Contractor and/or independent auditor.

Filings categorized as significantly inadequate may not be considered as appropriate for meeting prequalification requirements and are generally not available to the general public. Significantly Inadequate or Substandard filings may warrant a Quality Control Review or formal referral to other appropriate regulatory entities and/or professional societies.

Fraudulent or Illegal Acts: If the report contains any indications of fraudulent or illegal acts of a criminal nature, or other sensitive matters affecting federal or Commonwealth supported programs the reviewer must immediately report those instances to their supervisor for ensuring those issues are brought to the attention of the appropriate government officials.

Commonwealth of Massachusetts
Operational Services Division
Bureau of Audit
FY '2002 Desk Review Guide

Contractor:	FEIN No.
Fiscal Year	
Audit Firm	Date UFR Submitted
OSD Auditor	Date Reviewed
Supervisor	Date Reviewed

Review Item	Compliance Y/N/N/A	Initials
Review Objectives To provide reasonable assurance that the filing requirements of 808 CMR 1.00, and the provisions of Office of Management and Budget (OMB) Circular A-133 are followed as applicable: <ul style="list-style-type: none"> Uniform Financial Statements and Independent Auditor's Report (UFR); approved alternate report; exemption request (properly completed cover page) and required documentation; financial statements prepared in accordance with generally accepted accounting principles (GAAP); financial statements audited in accordance with Generally Accepted Government Auditing Standards (GAGAS) and in accordance with the provisions of OMB Circular A-133 (if applicable). 		
Audit Procedures		
1. Based on the Audit Bureau's desk review priority criteria select a UFR or an approved alternate report to be reviewed from the auditor's assignment log. UFRs should normally be selected in the order of date submitted.		
2. Determine that the report was audited or reviewed by a CPA firm, an individual CPA or a Public Accountant (PA).		
3. Using the attached checklists, review report for acceptance under the guidelines established by OSD, GAGAS, and OMB Circular A-133. Determine what standards are applicable for report presentation, any deviations from standards should be noted. This desk review guide should be cross-referenced and attached to the UFR filing to provide documentation of the desk review process.		
4. Determine that the contractor does not appear on the Federal debarment listing. Review current GSA, Lists of Parties Excluded From Federal Procurement (EPLS) located on the Operational Services Division's web page under Other Procurement Opportunities: Federal Debarment List (EPLS);		

Reference	Comments:

Review Item	Compliance Y/N/A	Initials
5. Determine that the independent auditor has not been listed on the Federal debarment list. -(Review current GSA, Lists of Parties Excluded From Federal Procurement (EPLS) located on the Operational Services Division's web page under Other Procurement Opportunities: Federal Debarment List (EPLS);		
I) DETERMINATION OF CONTRACTOR'S COMPLIANCE WITH REPORTING REQUIREMENTS		
A) UFR Cover Page-General Information (FY '2002 UFR Manual pg. 33):		
1.The contractor's filing includes the appropriate documents* in accordance with the filing requirements contained in the Documentation Requirement Matrix for the type of filing submitted; (FY '2002 UFR Manual pg. 25); (* OSD auditors must review <u>all</u> individual documents that have been "bundled" for eFile uploading purposes to determine compliance with above requirement)		
2. The contractor as required has submitted the appropriate UFR cover page;		
3. The contractor has responded to all items listed on the UFR cover page;		
a) Federal Employer Identification (FEIN) number coincides with FEIN # on OSD's Fiscal Year 2002 Expenditure and Federal Funds Listing available through OSD's Access file;		
b) Determine if the contractor has utilized and submitted the Excel 97 Workbook Template, if required (Review Documentation Requirement Matrix , FY '2002 UFR Manual pg. 25);		
c) Non-profit 501(c)(3) contractors have included the IRS exemption date;		
d) If exempt/exception filer, the correct exception or exemption number has been entered and is applicable (FY '2002 UFR Manual pg. 21);		
e) Required supporting exemption documentation has been provided in accordance with the Documentation Requirement Matrix (FY '2002 UFR Manual pg. 25);		
f) Filing organization has provided OSD with copies of amended Articles of Organization to support mergers or organizational name (legal) changes (FY '2002 UFR Manual pg. 18).		
B) UFR Cover Page-Program Information (FY '2002 UFR Manual pg. 33): <i>(Please refer to Schedule B_PSI for the following data which is linked to the program section of the Cover Page)</i>		
1. The contractor has responded to all program items listed:		
a) Program numbers coincide with the program numbers assigned to the attachment B program budget of the state contract, if contracts selected		

Reference:	Comments:

Review Item	Compliance Y/N/A	Initials
for review (FY '2002 UFR Manual pg. 28);		
b) MMARS code numbers are entered for all state-funded programs (review Sch. B_PSI, lines 8R-29R and OSD's Fiscal Year 2002 Expenditure and Federal Funds Listing for determination);		
II) GENERAL STANDARDS-GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (GAGAS)		
A) Determination of Auditor's Qualifications (GAGAS 3.3-3.10, AU 150, 210):		
1. The audit report is free of any indications the that the auditor is not a CPA, PA licensed on or before December 31, 1970, or a government auditor (AU 210, GAGAS 3.10, 252 CMR 2.00, FY '2002 UFR Manual pgs. 15);		
2. The independent auditor's Massachusetts license number and firm's FEIN # is included on the UFR Cover Page (FY '2002 UFR Manual pgs. 15);		
3. Out-of-state auditors have been determined to have met the requirements of the jurisdiction(s) where auditee is located (contact Mass. Board of Public Accountancy for verification of license of out-of-state auditors reporting on Massachusetts based corporations) (GAGAS 3.10, 252 CMR 2.00, FY '2002 UFR Manual pg. 15);		
4. The required Audit Services Checklist & Certification Form has been submitted and indicates the auditor has met the minimum continuing education (CPE) and training requirements for performing government audits. This form should also indicate that the firm has undergone a quality control review (FY '2002 UFR Manual pg. 146).		
B) Determination of Auditor's Independence (GAGAS 3.11-25, AU 220):		
1. The audit report is free of any indications that the auditor is not independent. Follow up on any indication that independence was impaired in fact or appearance as follows : (GAGAS 3.11-3.25, AU 220, ET 101)		
a) Auditor had any direct or indirect material financial interest in the entity;		
b) Auditor involved in any joint or business investment with entity or with any of its officers, directors or principle stockholders that was material in relation to the auditor's net worth;		
c) Auditor had any loans to or from the entity or any of its officers, directors or principle stockholders;		
C) Determination of Auditor Exercising Due Professional Care (GAGAS 3.26-.30):		
1. There is no evidence to suggest that the auditor has not observed Generally Accepted Government Auditing Standards (GAGAS 3.27);		
2. The audit report is free of any indications in the scope section that the		
Reference:	Comments:	

Review Item	Compliance Y/N/N/A	Initials
applicable standards were not followed (GAGAS 3.29):		
a) Auditor has provided an audit (in accordance with applicable standards) which meets the relevant legal, regulatory, or contractual requirements (GAGAS 3.29, SAS No. 74);		
3. Auditor has exercised due care in preparing the auditor's reports (Reviewer should look at the quality of each auditor's report for such items, signing all reports, submitted the appropriate auditor's reports for the contractor, and reporting of audit results);		
4. There is no evidence in the auditor's report(s) or communication with the auditor to suggest the auditor has not exercised sound judgment in selecting the methodology and designing audit tests and procedures or in deciding whether a matter requires disclosure in an audit report (GAGAS 3.28).		
D) Determination of Auditor's Quality Control (GAGAS 3.31-.36):		
1. The Audit Services Checklist & Certification Form has indicated the results of the audit firm's external quality control review.		
II) REVIEWED FINANCIAL STATEMENTS (SSARS 1) Certain contractors subject to the reporting requirements established by OSD may satisfactorily meet their reporting requirements by submitting reviewed financial statements.		
1) The financial statements reviewed by a CPA or a PA included a report that contains the following statements (SSARS 100.35):		
a) A review was performed in accordance with SSARS issued by the AICPA;		
b) All information included in the financial statements is the representation of management;		
c) A review consists principally of inquiries of company personnel and analytical procedures applied to financial data;		
d) A review is less in scope than an audit, the objectives of which is the expression of an opinion regarding the financial statements taken as a whole and, accordingly, no such opinion is expressed;		
e) The accountant is not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with GAAP, other than those modifications, if any, indicated in the report.		
2) The review report is dated properly (SSARS 100.33);		
3) Each page of the financial statement should include a reference such as " See Accountant's Review Report " (SSARS 100.34);		
4) Contractor filing under the exemption allowing reviewed financial statements must		

Reference:	Comments:

Review Item	Compliance Y/N/N/A	Initials
have included all the required supplemental schedules and the disclaimer on these schedules.		
III) REPORT ON (BASIC) GAAP FINANCIAL STATEMENTS (SAS 58, SAS 79)		
A) STANDARD AUDIT REPORT (AU 508) The auditor's standard report identifies the financial statements audited in an opening paragraph, describes the nature of an audit in a scope paragraph and expresses the auditor's opinion in a separate paragraph. The required basic elements of the report are the following (AU 508.08):		
1) A title that includes the word independent;		
2) Auditor's report is addressed to the Board of Directors, organization being audited or stockholders of the entity (AU 508.09);		
3) A statement that the financial statements identified in the report were audited:		
a) Each financial statement is specifically identified in the introductory paragraph of the report (AU 508.06);		
b) Auditor has identified the Statement of Functional Expenses as a basic financial statement for all Voluntary Health and Welfare Organizations (VHWO) FASB 117 64); AICPA <u>Audit and Accounting Guide for Not-For-Profit Organizations</u> , ch. 13.04 (AAG-NPO) Commonwealth's Terms and Agreements;		
c) the Auditor has identified the Statement of Cash Flows as a financial statement that has been audited (applicable to all business enterprises and not-for profit organizations, FASB 117);		
d) It is evident from the report submitted that the auditor has expressed an opinion on the basic financial statements as contained in the UFR (FY '2002 UFR Manual pg. 11) Reviewer caution: check for inconsistencies, e.g., page numbering or references to nonexistent statements or schedules as evidence that the auditor has not opined on the UFR basic financial statements;		
4) A statement that the financial statements are the responsibility of the entity's management and that the auditor's responsibility is to express an opinion on the financial statements based on his audit;		
5) A statement that the audit was conducted in accordance with generally accepted auditing standards (GAAS) and GAGAS (GAGAS 5.13, SOP 98-3) (Note: Upon prior approval OSD may exempt major colleges, universities and hospitals filing alternate reports from including the GAGAS reference in the report on the financial statements. Generally, all UFR filers are required to obtain an audit conducted in accordance with GAGAS unless specifically exempted under OSD's Exceptions/Exemptions or that provision is formally waived by the Director);		
6) A statement that GAAS requires that the auditor plan and perform the audit to		
Reference:	Comments:	

Review Item	Compliance Y/N/A	Initials
obtain reasonable assurance about whether the financial statements are free of material misstatement;		
7) A statement that an audit includes:		
a) Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;		
b) Assessing the accounting principles used and significant estimates made by management;		
c) Evaluating the overall financial statement presentation.		
8) A statement that the auditor believes that his audit provides a reasonable basis for his opinion;		
9) An opinion as to whether the financial statements present fairly, in all material respects, the financial position of the entity as of the balance sheet date and the changes in net assets and its cash flows for the year ended in conformity with GAAP;		
10) Auditors may report on compliance and internal control in the report on the financial statements or in a separate report(s). If separate report(s) were issued the auditor included a paragraph stating that reports on compliance and internal controls were also issued. Note: To meet GAGAS and OMB Circ. A-133 reporting requirements auditors have the option of issuing combined or separate report(s) on internal control and compliance. (GAGAS 5.16, OMB Circ. A-133);		
11) Includes the appropriate paragraph addressing the supplementary information included in Schedules A_OSI ,B_PSI and HCFP schedules (if applicable) by descriptive title or page number or in an appropriate separate report (AU 551.06, FY '2002 UFR Manual, pg. 52);		
12) Includes the manual or printed signature of the auditor's firm;		
13) Includes the date of the audit report.		
B) AUDITOR'S OPINION - UNQUALIFIED (AU 508) An unqualified opinion states that the financial statements present fairly, in all material respects, the financial position, changes in net assets and cash flows of the entity in conformity with GAAP.		
1) Unqualified opinion was rendered;		
2) Auditor has rendered an opinion on the Schedule of Expenditures of Federal Awards (may be included in the report on financial statements or in a separate report required for compliance with OMB Circular A-133, SOP 98-3).		
C) MODIFICATION TO AUDITOR'S STANDARD REPORT (AU 508)		

Reference:	Comments:

Review Item	Compliance Y/N/N/A	Initials
<p>Certain circumstances, while not affecting the auditor's unqualified opinion, may require that the auditor add explanatory language or paragraphs to the standard report. These circumstances include but are not limited to the following:</p>		
1) The auditor's opinion based in part on the report of another auditor (AU 508.11);		
2) Has additional or supplemental information such as the Schedule of Federal Awards been included (under same cover) (AU 508.11);		
3) Auditor has expressed substantial doubt about the entity's ability to continue as a going concern (AU 508.11).		
<p>D) DEPARTURES FROM UNQUALIFIED OPINION (AU 508) Certain circumstances may require an opinion differing from an unqualified opinion. Such opinions will be dictated by the circumstances encountered by the auditor during the engagement. These reports include the following departures from GAAP and scope limitations:</p>		
1) Auditor has rendered a qualified opinion (AU 508.20-57) (auditor has included a statement that, except for the effects of the matter to which the qualification relates, the financial statements are presented fairly, in all material respects in conformity with GAAP);		
a) Auditor has included an explanatory paragraph(s) preceding the opinion paragraph disclosing the substantive reasons for expressing a qualified opinion (AU 508.21);		
b) In scope limitations, the paragraph indicates that the qualification pertains to the possible effects on the financial statements and not to the scope limitation itself; (AU 508.26).		
2) Auditor has express an adverse opinion (AU 508.58-60) (auditor has expressed an opinion that the financial statements taken as a whole are not presented fairly in conformity with GAAP);		
a) Auditor has included an explanatory paragraph(s) preceding the opinion paragraph disclosing the reasons for the adverse opinion (AU 508.59);		
b) The opinion paragraph includes a direct reference to a separate paragraph that discloses the basis for the adverse opinion (AU 508.60).		
3) Auditor disclaimed an opinion (AU 508.61-63) (a disclaimer of opinion states that the auditor does not express an opinion on the financial statements).		
a) The first paragraph of the auditor's report states "We were engaged to audit..." rather than "We have audited..." (AU 508.63);		
b) The introductory paragraph omits the reference to the auditor's responsibility (AU 508.63);		
Reference:	Comments:	

Review Item	Compliance Y/N/A	Initials
c) the auditor has not identified procedures that were performed and has not included the standard scope paragraph (AU 508.62);		
d) the separate explanatory paragraph should disclose all of the substantive reasons for the auditor's disclaimer (AU 508.62);		
e) The auditor has disclosed any other reservations he/she has with the presentation of the financial statements in conformity with GAAP (AU 508.62);		
f) The report includes a statement that the scope of the auditor was not sufficient to warrant an expression of an opinion (AU 508.62).		
IV) FINANCIAL STATEMENT PRESENTATION Not-for-profit contractors (nongovernmental) filing the UFR are contractually required to present basic financial statements in accordance with guidance provided in AAG-NPO, except for organizations incorporated as a contractor of health care services. For-profit business enterprises must provide financial statements in accordance with GAAP established by the AICPA for the industry in which they operate (FY '2002 UFR Manual pgs. 12-13, POS Terms and Conditions, AAG-NPO para. 1.03.		
1) Contractor has submitted financial statements prepared in accordance with GAAP:		
a) For profits entities have not utilized the basic financial statements of the UFR;		
b) Hospitals and contractors predominately providing health care have not utilized the basic financial statements of the UFR;		
c) Organizations filing under AHCO are principally involved in the delivery of health care services to individuals (analysis of contractors programs, revenue & expense supplemental schedules may be necessary). Note: Reviewer should assess the level of health services provided by multi-service entities, filing under "Audits of Health Care Organizations" to determine if the entity's principal operation consists of providing health care services to individuals.		
d) Organizations filing as combined or consolidated entities have provided an unaudited Schedule of Eliminating Entries;		
e) There is no evidence that the merged entities have used the accounting concept known as a "pooling of interest" as described in APB Opinion No. 16. Reviewers see contractor's financial statement notes (FY '2002 UFR Manual pg. 23).		
A) BALANCE SHEET: Commonly referred to as the Statement of Financial Position, this statement discloses relevant information about an entity's assets, liabilities and net assets and their relationships to each other at the balance sheet date.		
1) Balance Sheet is presented using the columnar financial statement format of		
Reference:	Comments:	

Review Item	Compliance Y/N/N/A	Initials
the UFR;		
2) Property, Plant and Equipment is disclosed in the plant fund column (contractors with very limited fund activity must obtain approval of a written request to waive these instructions, FY '2002 Manual, pg. 37);		
3) Balance sheet items are properly classified, i.e., assets and liabilities with similar characteristics are grouped homogeneously (ARB 43 ch. 3A, FASB 6, FASB 78, FASB 115);		
4) Balance sheet items requiring additional disclosure are fully described in the notes, i.e., other assets, liabilities, notes, leases and long term payables ((808 CMR 1.03(7), FY 2002 UFR Audit and Prep. Manual pg. 42-46);		
5) Balance Sheet disclosures are consistent with notes to the financial statements.		
B) STATEMENT OF ACTIVITIES: Statement provides relevant information about (a) the effects of transactions and other events and circumstances that change the amount and nature of net assets, (b) the relationships of those transactions and other events and circumstances to each other, and (c) how the organization's resources are used in providing various programs and services.		
1) Statement is presented using the financial statement format of the UFR;		
2) Statement items requiring additional disclosure are fully described in the notes, i.e., other increases (decreases) in net assets (including the balance of Commonwealth Surplus Revenue Retention Fund Pool);		
3) Support, revenue and expenses are properly classified in accordance with GAAP and the instructions included in the UFR;		
4) The total unrestricted, temporarily restricted and permanently restricted net assets disclosed on lines 31, 32 and 33, respectively on the Balance Sheet reconcile to line 26 of the Statement of Activities in the respective columns (FASB 117, paragraph 18);		
5) There is no evidence to suggest that the Statement of Activities has not disclosed the gross amount of revenue and expenses (Note: investment revenue may be disclosed net of related expenses, provided that the amount of the expenses have been disclosed either on the face of the Statement of Activities or in the Notes to the Financial Statements (FASB 117, paragraph 24);		
6) Board designated revenue has been disclosed as unrestricted in accordance with GAAP (AAG-NPO ch. 3);		
7) Restricted contributions are disclosed as support that increases restricted net assets. However, if the restrictions has been met in the same reporting period,		

Reference:	Comments:

Review Item	Compliance Y/N/N/A	Initials
the contributions may be disclosed as unrestricted, if the policy is followed consistently and is disclosed (FASB 117, paragraph 14);		
8) Contractor has disclosed Temporarily Restricted Net Assets released from restrictions on the Statement of Activities and allocated an appropriate amount to functions and/or programs on line(s) 50R-52R of Sch. A_OSI and B_ PSI . Reviewer should determine the total amount of Net Assets released on the Statement agrees with the amount disclosed on line(s) 50R-52R of Sch. A_OSI;		
C) STATEMENT OF FUNCTIONAL EXPENSES This statement must be presented for all Voluntary Health and Welfare Organizations. The statement should report expenses by their functional and natural classifications in a matrix format (FASB 117, paragraph 64, AAG-NPO ch. 3, FY '2002 UFR Manual pgs. 39).		
1) Statement of Functional Expenses has been filed;		
a) No evidence indicating contractor is not subject to AAG-NPO audit guidelines (Providers of health care services and not-for-profits not meeting the definition of a Voluntary Health and Welfare Organization are not required to submit this statement);		
b) Statement filed uses financial statement format of the UFR;		
c) It is evident that the auditor has expressed an opinion on <u>this</u> Statement; (Reviewer Caution: occasionally financial statements submitted include a Statement of Functional Expenses that the auditor has opined on which is not on a format consistent with the UFR).		
2) Statement segregates expenditures by function, i.e., total programs and supporting services which generally includes fund-raising and administration (mgmt. & general), etc. (AAG-NPO ch. 13, FY '2002 UFR Manual pg. 39);		
a) Administration (mgmt. & gen.) expenses are separately disclosed and not distributed to programs (AAG-NPO ch.13, FY '2002 UFR Manual pgs. 00-00);		
b) Individual program services page(s) of the statement has been properly completed and includes all programs listed on the UFR cover page.		
3) Statement discloses expenses by natural classification (FASB 117, para. 64, AAG-NPO ch. 13, FY '2002 UFR Manual pg. 39);		
4) Depreciation expense is disclosed appropriately on line 7;		
5) Statement reconciles to expense totals as disclosed on the Stmt. of Activities.		

Reference:	Comments:

Review Item	Compliance Y/N/A	Initials
<p>D) STATEMENT OF CASH FLOWS:</p> <p>All Nonprofit entities are required to provide a Statement of Cash Flows with the adoption of FASB 117. This statement is designed to provide relevant information about the cash receipts and cash payments of an organization during a period. Preparers of the UFR may utilize either the Direct or the Indirect method in accordance with FASB No. 95.</p>		
1) Contractor utilized the direct method in preparing the statement;		
a) Included a reconciliation of change in net assets and net cash flows from operating activities in a separate schedule (FASB 95);		
2) Contractor utilized the indirect method in preparing the statement;		
3) Cash and Cash Equivalents at the beginning and end of year reconcile to the Cash Balance disclosed on the Balance Sheet (FASB 95);		
4) Change in Net Assets disclosed on Statement of Cash Flows reconciles to Change in Net Assets as disclosed on the Statement of Activities, line 27.		
<p>E) FOOTNOTE DISCLOSURES-NOTES TO THE FINANCIAL STATEMENTS</p> <p>Disclosures necessary for conformity with GAAP and the appropriate content will vary with each entity's particular activities and circumstances. Full disclosure of significant accounting policies is required by the AICPA.</p>		
<p>1) The contractor's notes to the financial statements meet the recommended disclosure requirements including, but not limited, to the following:</p>		
a) Accounting method;		
b) Method of revenue recognition;		
c) Related party disclosure meeting FASB 57 guidelines (if applicable);		
d) Method of allocating asset cost;		
e) Disclosure of impact of state surplus revenue retention policy (FY '2002 UFR Manual pgs. 50-51 provides minimum disclosure guidance);		
f) Amounts disclosed in notes agree with financial statements amounts;		
g) Prior period adjustments.		
2) If disclosed, designations of the unrestricted net assets by the governing board are disclosed as part of the unrestricted class of net assets (FASB 117, para. 16).		
<p>A) SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (applicable to audits conducted in accordance with OMB Circular A-133 only)</p> <p>The Schedule of Expenditures of Federal Awards identifies the grantor agency, Federal/state identification information (CFDA #'s etc.) and the total expenditures under the various Federal program(s). (OMB A-133, SOP 98-3). Note: see section (VI) for auditor's reporting requirements on this schedule.</p>		
Reference:	Comments:	

Review Item	Compliance Y/N/N/A	Initials
1) The Schedule must disclose expenditures for the same period covered by the financial statements;		
2) The Schedule include at a minimum the following information (Revised OMB A-133, SOP 98-3):		
a) Federal programs are listed individually by Federal grantor agency;		
b) Subrecipient of Federal awards identifies the pass-through agency ;		
c) Schedule includes notes that describe the significant accounting policies used in preparing the schedule;		
d) Includes total Federal awards expended for each individual Federal program and the appropriate Federal program Catalog of Federal Domestic Assistance numbers (CFDA#s) and program titles;		
e) Pass-through Federal funding from the Commonwealth reconciles to the Federal Funds listing provided by OSD. (Schedule should include at least as much funding as indicated on the listing) Reviewer caution: Allowances may be necessary for contractors with fiscal years inconsistent with the state.		
G) OTHER FINANCIAL PRESENTATION The UFR may be presented on a comprehensive basis of accounting (OCBOA) other than GAAP, i.e., cash receipts, and disbursements. Some contractors may submit a program-audit to meet Federal audit requirements in lieu of an organizational-wide audit conducted in accordance with OMB Circular A-133. A program-specific audit is an audit conducted in accordance with Federal laws, regulations, or audit guides relative to that particular program which does not require a financial statement audit of the entity. As such, varying financial presentations may be submitted. Contractors and auditors submitting a program-specific audit have basically the same responsibilities for the Federal program as required of a major Federal program in a single audit. Review presentations for consistency with above financial presentation requirements (Revised OMB A-133 section 235, OMB Circular A-133 Compliance Supplement-March 2002, SOP 98-3).		
1) Contractor has submitted a program-specific audit to satisfy Federal reporting requirements.		
a) Contractor's Federal program qualifies under OMB A-133 thresholds for program-specific audit, i.e., expenditure of Federal awards under only one Federal program and the Federal program's laws and regulations do not require a financial statement audit; (Revised OMB A-133, OMB Circular A-133 Compliance Supplement);		
b) Program-specific audit follows Federal program audit guide (if available); (SOP 92-9, OMB A-133, OMB Circular A-133 Compliance Supplement-March 2002, SOP 98-3).);		

Reference:	Comments:

Review Item	Compliance Y/N/A	Initials
<p>c) Program-specific audit for which no Federal program audit guide is available has been conducted in accordance with GAGAS and shall include at a minimum the following (Revised OMB A-133, OMB Circular A-133 Compliance Supplement-March 2002):</p> <p>(1) a Schedule of Expenditures of Federal awards for the program and notes that describe the significant accounting policies used in preparing the schedule.;</p> <p>(2) a summary Schedule of Prior Audit Findings (if applicable);</p> <p>(3) a corrective action plan to address each audit finding included in the current year's reports;</p> <p>(4) a report opining (or a disclaimer of opinion) as to whether the financial statement(s) of the Federal program is presented fairly in all material respects in conformity with the stated accounting policies;</p> <p>(5) either a separate or combined report on internal controls related to the Federal programs, describing the scope of testing and results of tests;</p> <p>(6) either a separate or combined report on compliance which includes an opinion (or disclaimer of opinion) as to whether the auditee complied with laws, regulations, and the provisions of contract or grant agreements which could have a material effect on the Federal program;</p> <p>(7) a Schedule of Findings and Questioned Costs for the Federal program (if applicable).</p>		
2) Contractor has submitted financial statements presented in accordance with OCBOA (AU 623):		
a) The financial statements filed are properly identified indicating OCBOA, i.e., Statement of Assets and Liabilities Arising from Cash Transactions (AU 623.07);		
b) Audit was conducted in accordance with GAGAS;		
c) Basis of presentation is fully disclosed (AU 623.10);		
d) Opinion paragraph makes reference to a paragraph, which states the basis of accounting (AU 623.08).		
<p>H) SUPPLEMENTAL SCHEDULES</p> <p>The contractor may choose to present individual program financial data, other supplemental program financial data, or other supplemental financial schedules in the report. This information should be referenced in an explanatory paragraph to the auditor's opinion or in a separate report.</p> <p>Contractors required to file a complete UFR or required to file supplemental schedules as a requirement of an exemption/exception or a condition of waiver must file Supplemental Schedules A_OSI and B_PSI . In addition, Mental Health Clinics and Contractors of Substance Abuse and Early Intervention Services are also required to submit certain supplemental schedules developed by the Division of Health Care Finance and Policy in lieu of the MHC-1 cost report or other cost reports. Reviewer</p>		
Reference:	Comments:	

Review Item		Compliance Y/N/A	Initials
Caution: Check FY '2002 UFR Audit and Preparation Manual pg. 89 for appropriate filing guidance for these entities.			
A_OSI: Organization Supplemental Information Schedule A, provides revenue, personnel and operating expenses for the total organization (FY '2002 UFR Manual, pg. 53-57):			
1) Contractor has filed a completed Supplemental A_OSI Schedule ;			
a) The manner of presentation and information disclosed in the schedule is not materially inconsistent with the information disclosed in the basic financial statements (SAS 8, AU 550.04, FY '2002 UFR Audit & Prep. Manual pg. 52);			
b) Each class of transaction and account balance in the schedule is reconcilable to the information disclosed in the basic financial statements;			
c) Schedule A_OSI revenue and expenses reconciles with the revenue and expenses disclosed in the Unrestricted column of the Statement of Activities (FY '2002 UFR Audit & Prep Manual pg. 52);			
2) Schedule A_OSI properly discloses Commonwealth POS contract Revenue on lines 8R-29R;			
a) POS revenue disclosed on lines 8R-29R approximates the total amount of Commonwealth revenue by department included on OSD's FY '2002 Listing of Expenditures (Reviewer's Caution: Reconciliation allowances should be considered when the contractor's fiscal year differs from the state. Immaterial differences <i>generally</i> should not be considered as a minimal filing deficiency);			
b) Revenue received from a Commonwealth Capital Budget(s) has been disclosed on line 2R and the non-reimbursable depreciation disclosed on line 54E with an appropriate entry on the Non-Reimbursable Expense Detail (Q&A, May 1995);			
c) Other revenue disclosed on line 48R has been sufficiently described in an attached schedule. Reviewer should consider materiality before citing this as a deficiency, (FY '2002 UFR Manual pg. 56);			
d) Administration revenue that is not designated by the board of directors is allocated on line 49R to functions and programs (FY '2002 UFR Manual);			
e) Contractor has disclosed Net Assets released from restrictions and allocated an appropriate amount to functions and/or programs on line(s) 50R-52R. Reviewer should determine the total amount of Net Assets released on line(s) 50R-52R agrees with the amount of Temporarily Restricted Net Assets released on the Statement of			
Reference:	Comments:		

Review Item	Compliance Y/N/N/A	Initials
Activities;		
3) The organization has properly completed the Principals' Compensation Disclosure section of the schedule. Reviewers should examine the Cover Page for listed contact person and the personnel titles from the salary and FTE sections of A_OSI to determine if all personnel responsible for policy making decisions have been disclosed as required. (See FY 2002 UFR Audit and Prep. Manual pgs.53);		

a) Schedule discloses Full Time Equivalents (FTE's) consistent with guidance provided in the FY 2002 UFR Audit and Prep. Manual pg. 29;		
b) Schedule discloses direct and administrative personnel compensation consistent with the employee titles and definitions established in the <u>UFR Program Component and Title Descriptions</u> appendix in the FY 2002 UFR Audit and Prep. Manual;		
4) Schedule A_OSI discloses expense items consistent with the expense account definitions provided in the FY 2002 UFR Audit and Prep. Manual (pgs. 57-62):		
a) Organizations disclosing vehicle expenses on line 26E have attached a properly completed vehicle disclosure schedule for passenger and sport utility vehicles used by the agency. (See FY 2002 UFR Audit and Prep. Manual pgs.60, item 26E);		
b) Other expenses disclosed on line 35E have been sufficiently described in an attached schedule. Reviewer should consider materiality before citing this as a deficiency, (FY '2002 UFR Manual pg.60);		
c) Schedule discloses audit fees as required on line 40E;		
5) Schedule A_OSI includes a properly completed the Non-Reimbursable Expense Detail section for State/Federal general and administrative expenses that are considered non-reimbursable ;		
a) Schedule appropriately discloses State/Federal Non-Reimbursable Expenses on line 54E and the amount disclosed reconciles to disclosures in the Non-Reimbursable Expense Detail section of the schedule;		
b) Contractor has disclosed a liability to the Commonwealth in the financial statements or financial statement notes for any excess non-reimbursable expense over allowable revenue offsets consistent with the amount disclosed on line 12N;		
6) Schedule allocates G & A expenses to functions and programs on line 52E utilizing one of the <u>accepted allocation plans</u> . (See UFR Cover Page for plan selected and FY '2002 UFR Manual pgs. 65-67);		

Reference:	Comments:

Review Item	Compliance Y/N/A	Initials
7) Schedule A_OSI includes entries required to determine surplus revenue subject to the Surplus Revenue Retention (SRR) 5% and 20% thresholds (FY 2002 UFR Audit and Prep. Manual (pgs. 50-51);		
a) Schedule includes entries in fields designed for calculating accumulated Surplus Revenue Retention, i.e., <u>Prior Year Ma. Revenue</u> , (SRR) <u>Starting Balance</u> and <u>Expended Amount</u> ;		
b) Schedule SRR disclosures , i.e., <u>Prior Year Ma. Revenue</u> , (SRR) <u>Starting Balance</u> , <u>Expended Amount</u> , <u>Accrual Amount</u> and <u>Liability Amount</u> reconcile to the Surplus Revenue Retention note to the financial statements;		
7) Schedule A_OSI disclosures a preliminary Cost Reimbursement Contract overbilling amount that reconciles with a disclosed liability to the Commonwealth.		
B_PSI : Program Supplemental Information Schedule B, provides revenue, personnel, expenses, program statistics and contract information on an individual program basis. A separate B_PSI schedule must be completed for each program operated by the organization. (FY '2002 UFR Manual pgs. 63-70):		
1) Contractor has filed a properly completed Supplemental B_PSI <u>for each</u> of its programs (review Statement of Functional Expenses to determine all programs have corresponding Schedule B_PSI(s));		
a) UFR program specific information, i.e., program number, name, description, address, operating period and operating hours have been disclosed along with CFDA# (if applicable) for each completed B_PSI;		
b) UFR program type code has been selected from the list provided and entered for each B_PSI schedule completed;		
c) The manner of presentation and information disclosed in the schedule is not materially inconsistent with the information disclosed in the basic financial statements. (See Stmt. of Funct.Expenses , SAS 8, AU 550.04);		
2) Schedule(s) B_PSI properly discloses Commonwealth POS contract revenue on lines 8R-29R;		
a) Revenue received from a Commonwealth Capital Budget(s) has been disclosed on line 2R and the non-reimbursable depreciation disclosed on line 54E with an appropriate entry on the Non-Reimbursable Expense Detail (Q&A, May 1995);		
b) Other revenue disclosed on line 48R has been sufficiently described in an attached schedule. Reviewer should consider materiality before citing this as a deficiency, (FY '2002 UFR Manual pg. 56);		
Reference:	Comments:	

Review Item	Compliance Y/N/N/A	Initials
c) Administration revenue that <u>is not</u> designated by the board of directors is allocated on line 49R to programs (FY '2002 UFR Manual);		
d) Contractor has disclosed Net Assets released from restrictions and allocated an appropriate amount to functions and/or programs on line(s) 50R-52R. Reviewer should determine the total amount of Net Assets released on line(s) 50R-52R agrees with the amount of Temporarily Restricted Net Assets released on the Statement of Activities;		
e) Schedule(s) discloses contract numbers and MMARS program codes for all POS funding reported on lines 8R-29R;		
f) Schedule(s) discloses state department, prime contractors (payor name) and their FEIN # for <u>all</u> POS subcontract revenue received and disclosed on line number 28R;		
3) Schedule(s) B_PSI properly discloses direct and administrative personnel compensation consistent with the employee titles and definitions established in the <u>UFR Program Component and Title Descriptions</u> appendix in the FY 2002 UFR Audit and Prep. Manual;		
a) Schedule(s) discloses Full Time Equivalents (FTE's) consistent with guidance provided in the FY 2002 UFR Audit and Prep. Manual ;		
4) Schedule(s) B_PSI discloses expense items consistent with the expense account definitions provided in the FY 2002 UFR Audit and Prep. Manual (pgs. 57-60);		
a) Organizations disclosing vehicle expenses on line 26E have attached a properly completed vehicle disclosure schedule for passenger and sport utility vehicles used by the agency. (See FY 2002 UFR Audit and Prep. Manual pgs.60, item 26E);		
b) Other expenses disclosed on line 35E have been sufficiently described in an attached schedule. Reviewer should consider materiality before citing this as a deficiency, (FY '2002 UFR Manual pg.60);		
c) Schedule(s) appropriately discloses State/Federal Non-Reimbursable Expenses on line 54E and the amount disclosed reconciles to disclosures in the Non-Reimbursable Expense Detail section of the schedule;		
d) Contractor has disclosed a liability to the Commonwealth in the financial statements or financial statement notes for any excess non-reimbursable expense over allowable revenue offsets consistent with the amount disclosed on line 12N (See your response to A_OSI item #4.d);		
e) Schedule(s) allocates G & A expenses to functions and programs on line 52E utilizing one of the <u>accepted allocation plans</u> . (See UFR Cover Page for plan selected and FY '2002 UFR Manual);		
Reference:	Comments:	

Review Item	Compliance Y/N/A	Initials
f) Contractors selecting the Multiple Allocation Base (MAB) cost allocation method have submitted a copy of the plan to OSD for approval;		
g) B_PSI schedule(s) discloses in the Subcontractor Direct Care Expense Detail section the subcontractors name , FEIN # and amount paid, which reconciles with the total subcontract expense disclosed on line 21E;		
h) Schedule(s) reconciles with the expenses disclosed on the Statement of Functional Expenses <u>in total</u> , on certain classification lines and by function and program columns (Note: Reconciliation failure here is an strong indication that the template has been modified and <u>must be</u> brought to the attention of the Deputy Director);		
i) The organization has completed the planned column (budgetary section) on each B_PSI schedule disclosing Commonwealth POS revenue;		
5) Contractor has properly completed the Service Statistics section for each Supplemental B_PSI schedule;		
a) The organization has disclosed the defined unit of service (where applicable) and identified the total program capacity;		
b) The organization has disclosed the appropriate client statistics, i.e., publicly sponsored, private and free care clients as required;		
6) Contractor has properly disclosed surpluses or overbilling on Commonwealth-funded programs;		
a) The contractor has disclosed surplus(s) and/or deficit(s) on Commonwealth supported programs on line 58E of Schedule;		
b) The surplus revenue subject to the Commonwealth's Revenue Retention Policy appears to be correctly calculated;		
c) Contractor has provided a note to the financial statements regarding the surplus revenue subject to the Commonwealth's surplus revenue retention policy and disclosed a liability to the Commonwealth (where applicable);		
d) Any excess revenue generated by Commonwealth cost reimbursement contract(s) has been correctly disclosed as a liability to the Commonwealth and further identified in a the auditor's internal control and compliance discloses as a material finding(s) (See your response to A_OSI item #6);		
6) Contractor has properly completed the Non-Reimbursable Expense Detail section for each Supplemental B_PSI schedule (if applicable);		
a) Contractor has properly classified non-reimbursable costs (by program component) and described the nature of the non-reimbursable costs;		

Reference:	Comments:

Review Item	Compliance Y/N/A	Initials
b) Schedule appropriately discloses State/Federal Non-Reimbursable Expenses on line 54E and the amount disclosed reconciles to disclosures in the Non-Reimbursable Expense Detail section of the schedule;		
c) Contractor has disclosed a liability to the Commonwealth in the financial statements or financial statement notes for any excess non-reimbursable expense over allowable revenue offsets consistent with the amount disclosed on line 12N.		

V) REPORTING REQUIREMENTS OF GOVERNMENT AUDIT STANDARDS

A) REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

(GAGAS ch. 5 , AU 325 and SOP 98.3 for sample combined reports)

The auditor should prepare a written report on the understanding of the entity's internal control structure, whether the controls have been placed in operation, and on the assessment of control risk made as part of a financial statement audit. This report may be included in either the auditor's report on the financial audit or a separate report. **Note:** *To meet GAGAS reporting standards auditor's have the option of issuing combined Internal Control and Compliance Reports.*

There are three levels of reporting that may be applied by the auditor:

- (1) nonreportable conditions, which are insignificant or immaterial internal control, structure deficiencies (**Note:** SAS 60, para. 17 prohibits auditors from issuing a written report representing that no reportable conditions were noted during an audit.)
- (2) Reportable conditions but no material weaknesses; or
- (3) Reportable conditions noted and some/all are material weaknesses.

The inclusions to the report vary by the level of reporting. The reports should include at a minimum the following items:

NO REPORTABLE CONDITIONS or IMMATERIAL WEAKNESSES (GAGAS chapter 5, AU 325, AU 9325, AU 801 and SOP 98-3 for sample combined reports).

- 1) A statement that the auditor has audited the financial statements and a reference to the auditor's report on the financial statements, including a description of any departure from the standard report;
- 2) The report refers to GAGAS in addition to GAAS;
- 3) A statement that in planing and performing the audit, the auditor considered the internal controls over financial reporting to determine the auditing procedures (necessary) for the purpose of expressing an opinion on the financial statement, not to provide assurance on the internal controls over financial reporting;

Reference:	Comments:

Review Item	Compliance Y/N/A	Initials
4) A statement that the consideration of internal controls would not necessarily disclose all matters that might be considered a material weakness;		
5) A description of a material weakness (in the internal control components);		
6) A statement indicating no matters related to the internal controls were considered to be a material weakness;		
7) If the auditor has issued a separate letter to management relevant to other matters involving the design or operation of internal controls. A modification to the paragraph has been included referencing the date of the communication to management;		
8) Statement that the report is intended for the information of the audit committee or board of directors, management, and pass-through entities, but that this is not intended to limit the distribution of the report, which is a matter of public record.;		
9) The manual or printed signature of the auditor's firm;		
10) The report dated same date as the auditor's report on the financial statements.		
REPORTABLE CONDITIONS/NO MATERIAL WEAKNESSES (GAGAS, AU 325, AU801 and SOP 98-3 for combined reports)		
11) Report includes items 1, 2, and 3 above;		
12) Includes a statement that certain matters involving the internal controls over financial statements and its operation were noted by the auditor that they consider to be reportable conditions;		
13) The definition of (a internal control) reportable condition is presented;		
14) Includes a statement that the reportable condition is described in an accompanying schedule of findings and questioned costs;		
15) Includes a paragraph describing a material weakness and indicating (the auditor's) consideration of internal controls would not necessarily disclose all matters that might be reportable conditions or disclose all reportable conditions that might be considered material weaknesses;		
16) Statement that the reportable conditions is not believed to be material weaknesses.		
REPORTABLE CONDITIONS/MATERIAL WEAKNESSES (GAGAS, AU 325 and SOP 98-3 for sample combined reports)		
15) Statement, which includes that, the following matters involving the internal control structure and its operations are considered to be material weaknesses as defined above. And that these conditions were considered in determining		
Reference:	Comments:	

Review Item	Compliance Y/N/N/A	Initials
the nature, timing, and extent of the procedures to be performed in the audit of the financial statements;		
16) Separate identification of material weaknesses.		
B) REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS (GAGAS chapter 5, SAS 74, SAS 75 and SOP 98-3 for sample combined reports)		
<p>The auditor should prepare a written report on compliance with laws and regulations that may have a material effect on the financial statements. This report should identify all material instances of noncompliance. Materiality in this case relates to the financial statements taken as a whole. GAO standards require financial transactions be tested for compliance with laws and regulations that could materially affect the financial statements. This report may be included in a separate report or in the auditor's report on the financial statements. Note: <i>To meet GAGAS reporting standards auditor's have the option of issuing combined Compliance and Internal Control Reports.</i></p> <p>The types of reports that may be issued by the auditor are as varied as the circumstances presented by the audit for instance (1) No reportable instances of noncompliance and no reportable conditions identified; (2) No tests of compliance performed; or (3) Reportable instances of noncompliance and reportable instances identified. The inclusions to the report vary by the level of reporting and are increased when the report on compliance is combined with the report on internal controls. The reports should include at a minimum the following items:</p>		
NO REPOTABLE INSTANCES OF NONCOMPLIANCE (GAGAS chapter 5, AU 801 and SOP 98-3 for sample combined reports)		
1) A statement that the auditor has audited the financial statements and a reference to the auditor's report on the financial statements, including a description of any departure from the standard report;		
2) The report refers to GAAS and GAGAS;		
3) A statement that tests of compliance with certain provisions of laws, regulations, contracts and grants (which could have a direct and material effect on the financial statement amounts) were performed to obtain reasonable assurance about whether the financial statements are free of material misstatement;		
4) A statement that rendering an opinion on compliance was not the objective of the audit and as such no opinion is expressed on compliance;		
5) A statement that results of tests disclosed no instances of noncompliance that are required to be reported under GAGAS;		
6) A statement that certain immaterial instances of noncompliance have been reported to management in a separate letter dated [date of letter], if applicable ;		
7) Statement that the report is intended for the information of the audit committee,		
Reference:	Comments:	

Review Item	Compliance Y/N/N/A	Initials
management, and specific legislative or regulatory bodies, but that this is not intended to limit the distribution of the report, which is a matter of public record;.		
8) The manual or printed signature of the auditor's firm;		
9) The report dated same date as the auditor's report on the financial statements.		
REPORTABLE INSTANCES OF NONCOMPLIANCE and REPORTABLE CONDITIONS IDENTIFIED (GAGAS, AU 801 and SOP 98-3 for sample combined reports)		
10) Similar statements as contained in items 1, 2 and 3 above;		
11) A statement that results of tests disclosed instances of noncompliance that are required to be reported under GAGAS;		
12) Auditor has identified noncompliance that is material to the financial statements;.		
13) A statement that instances of noncompliance are described in an accompanying Schedule of Findings and Questioned Costs, finding(s) reference numbers should be listed ;		
14) Auditor has identified immaterial noncompliance and has included a statement that these instances have been reported to management in a separate letter;		
15) Report includes items 7, 8, and 9 above.		
VI) REPORTING REQUIREMENTS OF THE REVISED OMB CIRCULAR A-133 (Revised Circ. OMB A-133, AU 551, AU 801and SOP 98-3 for sample combined reports)		
<p>The Revised OMB Circular A-133 implements the Single Audit Act Amendments of 1996 providing uniform single audit requirements for all non-Federal grantees. It applies to audits of fiscal years beginning after June 30, 1996. The revised circular supersedes the prior versions of OMB Circ. A-133 and Circular A-133Audits of state and local governments. Under the revised Circ. A-133 grantees expending \$300,000 or more annually in Federal awards must obtain a single audit performed in accordance with Circular A-133. The revised Circular requires auditors to issue the following three reports :1) an opinion or (disclaimer of opinion) on whether the auditee's financial statements are presented fairly in conformity with GAAP and whether the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole, 2) a report on internal controls related to the financial statements and major Federal programs, 3) a report on the auditee's compliance with laws, regulation's and provisions of grant agreements noncompliance with which could have a material effect on the financial statements and provide an opinion on the auditee's compliance with the laws, regulations and provisions of the grant agreements.</p>		

Reference:	Comments:

Review Item	Compliance Y/N/A	Initials
OMB A-133 ELIGIBILITY DETERMINATION:		
1) Schedule of Expenditures of Federal Awards presented indicates contractor has expended (<i>annually</i>) \$300,000 or more in either direct or pass-through Federal awards;		
2) OSD's FY '2002 Listing of Expenditures of Federal Awards indicates contractor has expended \$300,000 or more in pass-through Federal awards (<i>ensure electronic copy of listing is in each contractor's UFR file</i>);		
3) Contractor has obtained a single entity-wide audit in accordance with OMB Circ. A-133 as required (<i>proceed with following section</i>);		
4) Contractor has obtained a program specific audit in accordance with OMB Cir. A-133 (<i>skip following section and ensure section for program specific audits has been completed, section G pg. 14-15</i>).		
A) AUDITOR'S OPINION ON FINANCIAL STATEMENTS AND THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS		
<p>The Revised OMB Circular A-133 requires a report on the supplemental schedule of the entity's expenditure(s) of Federal award(s). The format of the report has been prescribed by the AICPA. This report may be included in either the report on the financial statements or as a separate report. The report should make reference to both the GAGAS and to OMB Circular A-133.</p>		
<p>Sample (combined) reports to meet the requirements of the revised OMB A-133 have been included in an updated single audit guidance in the form of Statement of Position (SOP 98-3)for audits of state, local governments and not-for-profits organizations receiving Federal awards. It supersedes SOP 92-9 and includes illustrated reports Reviewer Note: Some auditor's may prefer issuing separate reports, , therefore, reviewers should use caution in determining the adequacy of submitted auditor's reports. OSD will not accept audit reports that contain terminology such as non-major programs, general requirements or specific requirements that is no longer acceptable for reporting under the revised OMB Circular A-133.</p>		
<p><u>Unqualified Opinion on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards</u>, the sample report(s) contained in SOP 98-3 illustrate the auditor's opinion on both the auditee's financial statements and the schedule of expenditures of Federal awards and should include at a minimum:</p>		
1) A title that includes the word independent;		
2) Auditor's report is addressed to the Board of Directors, organization being audited or stockholders of the entity (AU 508.09);		
3) A statement that the financial statements identified in the report were audited:		
Reference:	Comments:	

Review Item	Compliance Y/N/N/A	Initials
a) Each financial statement is specifically identified in the introductory paragraph of the report (AU 508.06);		
b) Auditor has identified the Statement of Functional Expenses as a basic financial statement for all Voluntary Health and Welfare Organizations (VHWO) contractors (<i>formally required to utilize ANPO</i>) (AVHW ch. 6, FASB 117 para. 64); AICPA <u>Audit and Accounting Guide for Not-For-Profit Organizations</u> , ch. 13.04 (AAG-NPO) Commonwealth's Terms and Conditions for Human and Social Services, FASB 117 para. 64);		
c) the Auditor has identified the Statement of Cash Flows as a financial statement that has been audited (applicable to all business enterprises and not-for profit organizations, FASB 117);		
d) scope paragraph includes reference to the standards applicable to financial audits as contained in Generally Accepted Government Auditing Standards (GAGAS) issued by the Controller General of the United States;		
e) a paragraph stating that in accordance with GAGAS a report(s) has also been issued [<i>date of report</i>] on internal controls over financial reporting and tests of compliance with certain provisions of laws, regulations, contracts and grants;		
f) the closing paragraph states the audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole:		
1) paragraph includes a statement that the accompanying Schedule of Expenditures of Federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular OMB A-133 , Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements;		
2) paragraph further states the information (contained in the schedule) has been subjected to the auditing procedures applied in the audit of the (basic) financial statements;		
3) paragraph includes an opinion that the schedule information is fairly stated, in all material respects, in relation to the (basic) financial statements taken as a whole.		
g) Report is properly signed and dated;		
h) It is evident from the report submitted that the auditor has expressed an opinion on the basic financial statements as contained in the UFR (FY '2002 UFR Manual pg. 9) Reviewer caution: check for inconsistencies, e.g., page numbering or references to nonexistent statements or schedules as evidence that the auditor has not opined on the UFR basic financial statements.		

Reference:	Comments:

Review Item	Compliance Y/N/N/A	Initials
<p>B) REPORTING ON SCHEDULE OF EXPENDITURES FEDERAL AWARDS WHEN SEPARATE SINGLE AUDIT PACKAGE IS ISSUED (Revised OMB Circ. A-133, AU 551, AU 801, SOP 98-3)</p> <p>As stated above, OMB Circular A-133 requires a report on the supplemental schedule of the entity's expenditure(s) of Federal award(s). In some cases, when the Schedule of Expenditures of Federal Awards is not presented with the general-purpose financial statements, i. e, when a separate single audit package is issued an additional reporting section to the required OMB A-133 Report on Compliance and Internal Controls entitled <u>Schedule of Expenditures of Federal Awards</u> should be included after the paragraph reporting on internal controls in the <u>REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.</u></p>		
1) The <u>Schedule of Expenditures of Federal Awards</u> section of the report states the (basic) financial statements have been audited and the date report was issued;		
2) A statement that the audit was performed for the purpose of forming an opinion on the (basic) financial statements taken as a whole;		
3) A statement that the Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not part of the general-purpose financial statements;		
4) The statement clearly indicates the schedule was subjected to the same auditing procedures applied to the audit of the financial statements;		
5) An opinion is expressed that the information in the schedule is fairly presented in all material respects in relation to the basic financial statements taken as a whole;		
6) The report is dated with the same date as the date of the report on the basic financial statements.		
<p>C) REPORT(s) INTERNAL CONTROL OVER COMPLIANCE WITH OMB CIRCULAR A-133</p> <p>The revised OMB Circular A-133 requires additional matters to be covered in a report on internal control. These additional matters relate to controls over compliance relevant to major Federal awards. The report is similar to the Internal Control report in accordance with GAGAS except for additional requirement of expressing an opinion on compliance and to test internal controls over compliance in accordance with OMB Circ. A-133. Note: <i>To meet GAGAS and OMB Circ. A-133 reporting requirements auditor's have the option of issuing combined or separate reports on Compliance and Internal Controls.</i></p>		
1) Report includes a statement that the audit was conducted in accordance generally accepted auditing standards, and with the standards applicable to financial audits (as) contained Generally Accepted Government Auditing Standards and OMB Circular A-133;		

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2) A statement is included that management is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs;		
3) Auditor has stated, that in planning and performing the audit (we) considered the entity's internal control over compliance with requirements that could have a direct and material effect on major federal program(s) in order to determine auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circ. A-133;		
4) If applicable, the report includes a reportable condition;		
5) If reportable condition was noted, the auditor has included a description of a reportable condition;		
6) If a reportable condition was noted, the auditor has referred to a schedule of findings and questioned costs where the reportable condition(s) are described;		
7) If a reportable condition was noted, the auditor has listed the reference numbers of the related findings (<i>included on the accompanying schedule of findings and questioned costs</i>);		
8) Report includes a description of a material weakness (in relation to a major federal program);		
9) Auditor states whether or not a material weakness was noted;		
10) Report includes a caution that the auditor's consideration of the internal control over compliance may not disclose all matters in the internal control(s) that might be a material weakness;		
11) A statement that this report is intended for the audit committee, management and the federal awarding agency(s) and pass-through entities but the report is a public record and its distribution is not limited;		
12) Report is properly dated and signed.		
D) REPORT(s) ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM IN ACCORDANCE OMB CIRCULAR A-133 Under the revised OMB Circular A-133 the auditor is required to render an opinion (or disclaimer of opinion) as to whether the auditee complied with the laws, regulations etc., which could have a material effect on each major federal program. (SOP 98-3) Note: <i>To meet GAGAS and OMB Circ. A-133 reporting requirements auditor's have the option of issuing combined or separate reports on Compliance and Internal Controls.</i>		
1) Report states that (we) have audited the (entity's) compliance with the types of compliance requirements described in the OMB Circ. A-133 Compliance		
Reference:	Comments:	

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Supplement that are applicable to each major program for the year ended (<i>auditee's fiscal year</i>);		
2) Includes statement that the auditee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs;		
3) report states that compliance with the requirements of laws, regulations, etc., applicable to each major federal program is the responsibility of management;		
4) Includes statement that the auditor's responsibility is to express an opinion on the auditee's compliance based on the audit;		
5) Includes a scope paragraph stating the audit of compliance was conducted in accordance with GAAS, GAGAS and OMB Circ. A-133;		
6) Includes a statement that OMB A-133 standards require the auditor to plan and perform the audit to obtain reasonable assurance about whether noncompliance (occurred) which could have a direct and material effect on a major federal program;		
7) Auditor has included a statement that an audit includes examining on a test basis evidence of the auditee's compliance with the requirements and has performed other procedures considered necessary in the circumstances;		
8) Includes a statement that the auditor believes that (their) audit provides a reasonable basis for (their) opinion;		
9) Includes a (clarification) statement that the audit does not provide a legal determination on the auditee's compliance with requirements;		
10) Report includes an opinion paragraph that the auditee complied in all material respects the requirements applicable to each major federal program for the year ended [<i>auditee's fiscal year</i>];		
11) The opinion paragraph <i>may</i> indicate that as a results of auditing procedures instances of noncompliance that are required to be reported in accordance with OMB Circ. A-133 were disclosed that are described in the accompanying schedule of findings and questioned costs. Auditor has referenced finding numbers;		
12) In a qualified opinion, a paragraph immediately preceding the opinion paragraph begins with a reference to listed findings included in the accompanying schedule of findings and questioned costs and identifies the type(s) of compliance requirements that the auditee did not comply with which are applicable to the auditee's federal programs;		
13) In a qualified opinion, the auditor indicates in their opinion compliance with the (<i>identified</i>) requirements are necessary to comply with the requirements applicable to the (<i>identified</i>) program;		
Reference:	Comments:	

Review Item	Compliance Y/N/N/A	Initials
14) In a qualified opinion, the auditor has included the appropriate <i>except for</i> the noncompliance described the auditee has complied in all material respects to the applicable requirements of its major federal programs for the year ended [auditee's fiscal year];		
15) A statement that this report is intended for the audit committee, management and the federal awarding agency(s) and pass-through entities but the report is a public record and its distribution is not limited;		
16) Report is properly dated and signed.		
E) SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE OMB CIRCULAR A-133 Under the amended Single Audit Act of 1996 and the revised OMB Circular A-133 the auditor is required to prepare a Schedule of Findings and Questioned Costs that must contain the following three sections: summary of the auditor's results, findings related to the financial statements, and findings and questioned costs related to federal awards. (Revised OMB A-133 sec. 505, SOP 98-3)		
1) Schedule of Findings and questioned Costs included a summary of auditor's results section which includes: <ul style="list-style-type: none"> a) type of report issued, i.e., unqualified, qualified, adverse, etc.; b) a statement (<i>where applicable</i>) that reportable conditions in internal controls were disclosed and whether the conditions were a material weakness; c) a statement whether any noncompliance which is material to the financial statements was disclosed by the audit; d) a statement (<i>where applicable</i>) that reportable conditions in internal control over major (federal) programs was disclosed by the audit and whether those conditions were material weaknesses; e) the type of report issued on compliance with major programs, i.e., unqualified, qualified, etc.; d) a statement as to whether the audit disclosed any audit findings which the auditor is required to report on such as (<i>if applicable</i>): <ul style="list-style-type: none"> 1) reportable conditions in internal control over major programs; 2) material noncompliance with requirements of a major program; 3) known questioned costs greater than \$10,000 for a type of compliance requirement for major programs; 4) known questioned costs greater than \$10,000 for a Federal program which is not audited as a major program; 5) circumstances why the auditor's report on compliance is other than unqualified; 6) known fraud affecting a federal programs, auditor is not required to include if already reported as an audit finding in the schedule or if the auditor confirms fraud was directly reported in accord with GAGAS; 7) audit follow-up discloses auditee prepared Summary of Prior Audit Finding is materially misrepresented. 		
Reference:	Comments:	

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e) an identification of major (Federal) programs; f) the dollar threshold used to distinguish between Type A and Type B programs (<i>see OMB A-133 section 520(b)</i>); g) a statement as to whether the auditee qualified as a low risk auditee (<i>see OMB A-133 section 530</i>);		
2) Section that includes findings relating to the financial statements which are required to be reported in accordance with GAGAS;		
3) Section of findings and questioned costs for Federal awards that includes findings as reported in (d) 1-7 above;		
a) audit findings include a reference number indicating the fiscal year and the finding number, e.g., 99-1 indicates finding one for FY '99 (<i>OMB A-133 section 510 (8c)</i>);		
b) audit findings include names of Federal awarding agency and applicable pass-through agency and other information such as CFDA number & title (<i>OMB A-133 section 510 (1)</i>);		
c) audit findings include condition, criteria, effect and identify how questioned costs were computed (<i>OMB A-133 section 510 (2,3,6)</i>);		
d) audit findings are put in proper perspective and are quantified in terms of dollar value (<i>OMB A-133 section 510 (5)</i>);		
e) the auditor has included recommendations to prevent future occurrences of the finding(s) (<i>OMB A-133 section 510 (7)</i>);		
f) views of the auditee are included when there is disagreement with the finding(s) (<i>OMB A-133 section 510 (8)</i>).		
F) SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS and CORRECTIVE ACTION (PLANS) IN ACCORDANCE WITH OMB CIRCULAR A-133 Under the revised OMB Circular A-133 the auditee is responsible for follow-up and corrective action on all findings. The auditee is required to prepare a <u>Summary Schedule of Prior Audit Findings</u> reporting the status of audit findings included in the prior-year audit's Schedule of Findings and Questioned Costs and is also required to prepare corrective action (<i>plans</i>) on all current year findings (<i>OMB A-133 section 315</i>)		
1) The Summary Schedule of Prior Audit Findings (<i>if applicable</i>) has been submitted;		
a) the schedule properly reports the status prior years findings (identified by reference number indicating fiscal year in which the finding initially occurred;		
b) the schedule lists fully corrected findings;		
c) if applicable, the schedule lists partially corrected findings and includes a description of the planned corrective action;		
d) if the corrective action taken was significantly different than previously reported, an explanation for the departure is included;		
e) if the auditee believes the finding is no longer valid, the summary includes a description of the <u>valid</u> reason for the auditee's position; (<i>valid reasons are defined in OMB A-133 as</i> :		
(1) Two years have been passed since the audit in which the finding occurred was submitted to the Federal Clearing House;		
Reference:	Comments:	

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(2) The Federal agency or pass-through entity has not followed up on the finding;		
(3) A management decision (i.e., <i>Federal agency or pass-through entity's management</i>) has not been issued.		
2) A Corrective Action Plan (CAP), (if applicable) has been submitted;		
a) the CAP addresses <u>each</u> audit finding included in the current year's reports;		
b) the CAP includes the name(s) of the contact person(s) responsible for the corrective action plans;		
c) the CAP includes the specific corrective action planned to address the findings;		
d) the CAP includes an anticipated date when corrective action will be accomplished;		
e) if the auditee disagrees with the finding, the CAP included the auditee's explanation of the specific reasons for disagreement with the finding(s).		
I) MANAGEMENT LETTERS (GAGAS, SASs 60 and 74)		
Auditors may communicate "nonreportable" conditions in the auditee's internal control structure and immaterial instances of noncompliance in a separate management letter. The existence of a separate communication must be disclosed in the appropriate Internal Control or Compliance Reports.		
1) The auditor has referenced in the Internal Control Report(s) the existence of a written communication regarding "nonreportable" conditions;		
2) The auditor has referenced in the Compliance Report(s) the existence of a written communication regarding immaterial instances of noncompliance;		
3) A copy of the management letter (if applicable) has been submitted:		
a) Reviewer has determined that none of the listed "Nonreportable" conditions in the management letter are material weakness in the internal control structure;		
b) Reviewer has determined that none of the immaterial instances of noncompliance disclosed in the management letter are material and significant.		
J) ACKNOWLEDGMENT OF THE BOARD OF DIRECTORS (FY '2002 UFR pg.92)		
1) Contractor has filed the required Acknowledgment of the Board.		
a) Acknowledgment includes language indicating the board has voted to accept the representations of management and the expression of opinions of the named independent auditor as embodied in the UFR;		
b) Acknowledgment includes the date the board met and voted to accept the representations of management and the expression of opinions of the named		
Reference:	Comments:	

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independent auditor as embodied in the UFR.		
c) Acknowledgment includes language certifying the board believes management has completely disclosed in the UFR all related party relationships and transactions as defined in 808 CMR 1.02.		
K) AUDIT SERVICES CHECKLIST & CERTIFICATION FORM (FY '2002 UFR Manual pg.92)		
1) Contractor has filed the required Audit Services Checklist & Certification;		
a) Checklist indicates auditor has met the minimum training requirements ;		
b) Checklist indicates auditor has met the minimum experience requirements and has received an external quality control review;		
c) Checklist certifications have been signed by an official of the contractor organization.		

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